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C O N F I D E N T I A L SECTION 01 OF 04 BAGHDAD 000212

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TAGS: [PGOV](#) [MOPS](#) [EPET](#) [ECON](#) [ENRG](#) [EFIN](#) [MARR](#) [PREL](#) [IZ](#)
SUBJECT: MINISTERIAL COMMITTEE FOR NATIONAL SECURITY
DISCUSSES ENERGY INFRASTRUCTURE CRISIS

Classified By: AMBASSADOR ZALMAY KHALILZAD FOR REASONS 1.4 (A), (B), (D).

¶1. (C//REL GBR AUS) SUMMARY: At the urging of Ambassador, the members of the Iraqi Ministerial Committee for National Security (MCNS), joined by the Deputy Prime Minister (DPM) responsible for energy policy (Ahmed Chalabi) and Minister of Electricity Shallash, met on January 22 to discuss Iraq's dire situation with regard to electricity and oil infrastructure. The MCNS agreed that the GOI's inability to deliver electricity to Baghdad has reached a crisis stage; that steps must be taken to protect the electrical infrastructure so that generated power can reach Baghdad; and that steps must be taken to ensure that adequate amounts of refined petroleum products reach Baghdad. The MCNS recognized that, in addition to security issues, the energy infrastructure system is plagued by problems of corruption, maintenance, poor planning, and lack of coordination. It was concluded that the National Energy Council (NEC) must be held accountable for fixing these problems and that the head of the committee (Ahmed Chalabi, who will be ultimately responsible for its success or failure) must be given the authority and resources to implement the decisions and directives of the MCNS. PM Ja'afari committed to issuing such an order. END SUMMARY.

¶2. (C//REL GBR AUS) Following recent discussions by the Principals Committee concerning the energy situation in Iraq, Ambassador urged PM Ja'afari to convene the MCNS to address this critical problem. Ja'afari convened the MCNS at his residence the evening of January 22 to discuss a number of issues, foremost among them the energy problems facing the country. Members of the committee present included Minister of Interior Bayan Jabr, Minister of Defense Saadoun Dulime, National Security Advisor Mowwafak al-Rubaie, MNF-I Commanding General Casey, Ambassador Khalilzad, and British Ambassador Patey. The group was joined by DPM Ahmed Chalabi (who is responsible for overseeing the energy sector) and Minister of Electricity Muhsin Shallash. Minister of State for National Security Affairs Karim al-Anzi was absent. Other topics discussed during this meeting are reported SEPTTEL.

"BAGHDAD UNDER SIEGE"

¶3. (C//REL GBR AUS) DPM Chalabi presented a report on the current energy situation. "The electrical situation in Baghdad is deplorable," he stated, noting that Baghdad needs

2400 MW per day but is only receiving 850 MW. Of these, 700 MW must be reserved for critical needs (such as hospitals, emergency services, etc.), leaving only 150 MW for residential use. Baghdad is averaging at best only four hours of electricity per day, although the situation is better in other parts of the country. Chalabi declared that "Baghdad is under siege." Neither adequate fuel nor electricity supplies are reaching the city. Although Iraq can, according to Chalabi, theoretically produce 9200 MW, very little of it reaches Baghdad. (NOTE: Our estimates are that while peak demand is nearly 9200 MW, theoretical production capacity is about 7,300 MW; and our current estimate of feasible generation capacity is only about 6000 MW, which would be further limited to about 5,500 MW by the transmission grid. Recently, production has amounted to between 3600 and 4000 MW. END NOTE.) Chalabi asserted that the three lines that supply power to the city from the north, two running from Bayji to Baghdad west of the Tigris, and a third from Bayji to Baghdad via Kirkuk east of the Tigris, are frequently interdicted; and he asserted that currently all three are down due to terrorist activities. (NOTE: MNF-I insists that this statement is not true. Two of the three lines were down, one of which was due to high winds. END NOTE.)

¶4. (C//REL GBR AUS) Chalabi said that these lines are difficult to repair when they are down, adding that the Ministry of Electricity (MOE) has run out of spare towers to replace those that are blown up or pulled down. The temporary towers that are being fabricated on-site are not satisfactory for long-term use, he added. (NOTE: The USG has provided and continues to provide many replacement towers funded by IRRF, including at least thirty within the past few

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weeks. END NOTE.) Also, when the towers are repaired they are invariably brought down again. Work crews assigned to repair the damaged lines are too afraid to do the work, Chalabi explained, as they have been the subject of attack in the field and intimidation at home. Chalabi said that military forces stationed near the electrical corridors have been ineffective at preventing attacks -- including nearby Strategic Infrastructure Battalions (SIBs), which are tasked with protecting the oil infrastructure, not electrical lines.

Many of the attacks occur in the same areas, and Chalabi concluded that the methods employed to protect the electrical grid have proved ineffective and that there is a disparity in the protection afforded oil and electrical infrastructure. Whereas the oil lines are protected by SIBs with over 5,000 individuals, Chalabi lamented, the MOE relies on fewer than 300 people, most of whom are contractors who are not accountable to any ministry. (NOTE: We are not sure where Chalabi gets these figures. The Electrical Protective Security Service, which is part of the MOE, is much larger than 300 people. In addition, we understand that SIBs are protecting electrical transmission facilities in some areas. END NOTE.)

WHAT TO DO?

¶5. (C//REL GBR AUS) Chalabi suggested that three steps must be taken to begin to remedy the situation:

-- First, more and better-trained forces must be made available to protect both electrical and oil infrastructure. The SIBs must be better trained, provided with equipment that allows them to be more mobile, and brought under the command and control of the Ministry of Defense (MOD). (NOTE: This is already being done. END NOTE.) Furthermore, the SIBs also should be directed to take responsibility for electrical, as well as oil, infrastructure. It was agreed that the Ministry of Interior (MOI) does not have adequate forces in rural areas to make a contribution to this effort.

-- Second, mobile repair teams must be created. These teams would live on Iraqi army bases and be accompanied to work sites by adequate protective forces. Chalabi noted that MNF-I has made arrangements to provide for these crews but the Iraqi government has failed to create them. In addition, adequate supplies of spare parts and the equipment needed to effectuate rapid repairs must be procured and pre-positioned.

-- Third, intelligence-gathering efforts aimed at those who would attack energy infrastructure must be stepped up. These efforts must be directed not only against terrorists and insurgents but also toward the criminals, smugglers, and saboteurs who prey on the system for reasons unrelated to the insurgency. On the subject of corruption, Chalabi gave two examples of SIB commanders who had been found by MOD investigators to be corrupt; once they had been removed from command and arrested, the situations improved in their sectors.

Chalabi pointed out that there is broad consensus on these points, noting that Iraqi, MNF-I, Embassy, and IRMO representatives addressing these problems have all agreed.

16. (C//REL GBR AUS) In addition to the above steps, Chalabi recommended commissioning a security assessment from a company knowledgeable about protecting linear infrastructure in a war zone. In the meantime, he said, SIBs and other forces (including Iraqi and Coalition forces) should be redeployed to protect the lines more effectively; air surveillance should be stepped up; and those who are responsible for attacking the lines should be pursued more aggressively.

FUEL PRODUCTS

17. (C//REL GBR AUS) Another critical problem is supplying Baghdad with the necessary fuel supplies. Chalabi reported that current national demand for fuel is 19 million liters per day. Production is currently at 8.4 million liters --

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six million of which are produced at Bayji. Production at Bayji can be increased to nine million liters a day, he reported, but the problem remains getting sufficient product to Baghdad. The 22-inch product line that runs from Bayji to Baghdad has been interdicted repeatedly, and a decision has been made not to repair it at this time. Instead, fuel will be trucked from Bayji to Baghdad in tankers. There are approximately 5,000 tanker trucks in Iraq, 1,000 of which are owned by the government. It will take a commitment of 300 of these trucks to assure a steady flow of fuel to Baghdad in the amounts required, Chalabi stated.

18. (C//REL GBR AUS) With regard to petroleum exports, Chalabi said the 40-inch line that runs from Kirkuk to Bayji is now operational and oil is being stored in tanks near Bayji for export through Turkey. (NOTE: The repairs on the 40-inch crude line are not complete yet. After completing the major repair at the Zagatoon Canal, several leaks were found, including major leaks at the flanges of the newly repaired lines. Further repairs are underway and are expected to take at least two weeks. END NOTE.) In the south, Iraq is exporting approximately 1.4 million barrels per day -- 600,000 barrels short of expectations. The problems exporting oil from the south have nothing to do with security. Rather, they are caused by production problems, a lack of sufficient tug boat capacity, and insufficient storage facilities.

19. (C//REL GBR AUS) Concerning arrears due to Turkish companies for the purchase of fuel to meet Iraq's shortfall, Chalabi reported that \$150 million of an \$850 million bill has been paid, leaving \$700 million due. A major problem is

that the Iraqi State Oil Marketing Organization (SOMO) has been spending money to purchase fuel from Turkish companies without the legal authority to do so and has exceeded its 2005 budget by \$3 billion. The GOI is obligated to pay these amounts, but this cannot go on. Chalabi and the Minister of Finance are working to set up a system whereby Turkish companies would only sell to Iraq based on revolving letters of credit to be established at the Trade Bank of Iraq. This could allow Iraq to keep these costs under better control and thus within budget. (See SEPTEL on Ministry of Finance views on the fuel arrears problem.)

IMPLEMENTATION, COORDINATION, AUTHORITY

¶10. (C//REL GBR AUS) Chalabi lamented that, despite the agreement on what needs to be done to solve all of the problems discussed above, the government is unable to take action. With regard to coordination, the group discussed the ineffectiveness of the Provincial Joint Coordination Centers (PJCCs). It was noted that although the PJCCs are supposed to coordinate all repair and security activities pertaining to infrastructure, they are currently incapable of doing so. This is mainly because the PJCCs are not staffed properly by employees from the ministries involved.

¶11. (C//REL GBR AUS) Ambassador agreed that the energy infrastructure problem is a critical issue for the government and that the inability to export reliably the maximum possible quantity of crude oil puts at risk the GOI's ability to fund its activities. Despite the work of Chalabi's NEC, the situation seems to have gotten worse. GEN Casey noted that none of the issues discussed at this meeting were new, that there is a committee at the ministerial level, and that MNF-I has been engaged and has taken significant steps to help address these problems. Casey added that attacks on infrastructure have declined, and the problem of delivering power and fuel to Baghdad is multi-faceted and will not be solved by focusing only on security. Significant shortages also are caused by scheduled and unscheduled maintenance, he concluded.

THE WAY FORWARD?

¶12. (C//REL GBR AUS) All the members of the MCNS agreed that a major problem is within the Iraqi government -- the lack of a single, accountable individual who has both the responsibility and the authority to implement the decisions

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of the NEC. Currently, only the PM can order ministries to take the types of actions necessary, but he is too busy with other matters. However, this power can be delegated, and it was determined that this authority should go to Chalabi, since he is chairman of the NEC. PM Ja'afari concluded the discussion by affirming that he will issue the order to get this done.

COMMENT

¶13. (C//REL GBR AUS) COMMENT: We are encouraged that the Ambassador was able to get the MCNS to focus on a problem that continues to worsen despite efforts to make progress. The decision to give one person the authority to do what is necessary to address the problem was easily agreed upon, but implementation will continue to be a major challenge. In fact, the need to protect energy infrastructure was one of the points originally enumerated in the PM's twelve-point security plan promulgated in July 2005. At that time, responsibility for this task was given to Chalabi, with the exception of protecting oil facilities, which was to fall to

the MOD. The members of the MCNS seemed hesitant to give Chalabi too much authority at that time, but things clearly have changed. We hope that he will be given the power to direct the ministers of energy agencies to take steps immediately, for example, to hire mobile repair crews, to staff and utilize the PJCCs, and to enforce a ban on refined products exports. Embassy and MNF-I will seek another NEC meeting to follow up. As of January 24, Chalabi reported that he had not yet received written authority from Ja'afari to direct the activities of the MOO or MOE. END COMMENT.
KHALILZAD